Vesta

Climate Risks Analysis

Introduction

- The Climate Change and Resilience strategy is part of Vesta's ESG strategy, which is in turn part of Vesta's Level 3 Strategy.

- Our ESG area, together with Development and Asset Management, are responsible for climate-related risks and opportunities during the entire life of our portfolio, and for making sure we have a sustainable, resilient business model.

- The ESG Committee meets once a year to explore in greater detail the issues of climate change, environment, society and governance that have been identified by the ESG Department and corresponding areas, and the results are presented to the Board of Directors.

Scope

Since Vesta's properties are distributed across 16 states of the mexican republic, in order to assess the physical and transition risks in an optimal manner, these assets were classified into groups by state:

- **Bajío North:** Aguascalientes, Jalisco and San Luis Potosí.
- **Bajío South:** Querétaro and Guanajuato.
- **Center:** State of Mexico, Mexico's Valley, Tlaxcala, Puebla, Quintana Roo, Veracruz.
- **Northeast:** Nuevo León and Tamaulipas.
- **Northwest:** Baja California, Chihuahua and Sinaloa

Identification and Assessment

Of Climate-Related Risks

1 Prior analysis

An analysis of the current context of Vesta's properties based on statistical climate information and data from geographic information systems as well as regulatory, technological and market factors that influence the organization.

2 Scenario evaluation

We assessed the change in exposure to certain climate phenomenon related to climate change in three IPCC[19] physical scenarios (SSP1-2.6, SSP2-4.5 and SSP5-8.5) and assessed our exposure to regulatory, market and technological changes in the IEA[20] Net Zero and APS scenarios.

3 Risk identification

We used risk identification methodologies appropriate to the specific risks Vesta faces under scenarios such as FMEA and "what-if."

4 Risk assessment

Risks were assessed by incorporating the following variables: Hazard (in the scenario), Impact and Vulnerability (for physical risks) and Probability and Impact (for transition risks).

5 Risk magnitude

The magnitude of risk was estimated based on the variables.

6 Response and mitigation

We assessed the response capacity and mitigation actions taken, to identify opportunities and areas of improvement in climate change adaptation and mitigation.

[19] Intergovernmental Panel on Climate Change (IPCC).

[20] International Energy Agency (IEA).

Financial Risks in Climate Change

RISKS FACTORS	RISKS DESCRIPTION	FINANCIAL IMPLICATIONS OF RISK BEFORE TANKING ACTION	COST OF ACTIONS TAKEN TO MANAGE RISK
Mitigation and Adaptation to Climate Change	Loss of value of operating industrial parks located in areas with high incidence of extreme weather event.	**Minimum Loss:** USD 112,641,305 **Maximum Loss:** USD 171,984,042	- **Initiative:** Development of the Sustainable Construction Manual as a mitigation measure against physical risks. - **Estimated Costs:** USD 11,746.71
Mitigation and Adaptation to Climate Change	Increase in insurance policies for the real estate sector due to the increase in the occurrence of extreme weather events.	**Minimum Loss:** USD 4,014,647 **Maximum Loss:** USD 14,441,642	- **Initiatives:** Opening of new industrial parks in areas not affected by climate change. - **Estimated Costs:** No disponibles.
Increased water stress and extraordinary drought conditions	Questioning Vesta's water resources exploitation permits due to tenant operations that increase the organization's water footprint.	**Minimum Loss:** USD 41,485 **Maximum Loss:** USD 222,700	- **Initiatives:** Energy Star to improve the traceability of our clients' water consumption and thus explore opportunities in its reduction, efficiency and reuse. - **Estimated Costs:** USD 5,882.35

Financial Risks in Climate Change

RISKS FACTORS	RISKS DESCRIPTION	FINANCIAL IMPLICATIONS OF RISK BEFORE TANKING ACTION	COST OF ACTIONS TAKEN TO MANAGE RISK
Increased water stress and extraordinary drought conditions	Local community opposition to the installation and operation of industrial parks in areas with high water stress. Possible closure of Parks.	**Minimum Loss:** USD 17,500,000 **Maximum Loss:** USD 175,464,421 **Minimum Loss:** USD 160,750,000 **Maximum Loss:** USD 171,900,521	- 1) **Initiaitive:** Start-up of a water treatment plant (WWTP) in an industrial warehouse located in Toluca. The objective is that the water can be reused by customers. - **Estimated Costs:** USD 264,705.88 - 2) **Initiatives:** Commissioning of a rainwater collection plant in the Toluca industrial park. - **Estimated Costs:** USD 264,705.88
Increased water stress and extraordinary drought conditions	Reduced demand for services due to reduced water availability in some regions.	**Minimum Loss:** USD 23,654,849 **Maximum Loss:** USD 36,350,183	

Financial Risks in Climate Change

RISKS FACTORS	RISKS DESCRIPTION	FINANCIAL IMPLICATIONS OF RISK BEFORE TANKING ACTION	COST OF ACTIONS TAKEN TO MANAGE RISK
Biodiversity	Imposition of fines due to the impact on natural ecosystems in the surrounding area or as a result of the construction of new industrial parks.	**Minimum Loss:** USD 15,234 **Maximum Loss:** USD 25,034,522	- **Initiative:** Alignment of the environmental management system with the ISO 14001 Standard for the identification of opportunity areas in possible impacts on biodiversity. - **Estimated Costs:** USD 94,117.65
Biodiversity: Violation of human and environmental rights related to biodiversity	Rejection of local communities before Vesta's operations and/or tenants that have a high impact on the environment and/or natural resources.	**Minimum Loss**[1]**:** USD 17,500,000 **Maximum Loss**[2] **:** USD 175,464,421 **Minimum Loss** [3] **:** USD 160,750,000 **Maximum Loss**[4] **:** USD 171,900,521	- **Initiative:** Identification of risks and impacts related to ecosystems through the TNFD recommendations. - **Estimated Costs:** USD 35,294.12

[1] The minimum and maximum costs are considered according to the value of the property with the lowest value, taking as a baseline its value in 2022 with a maximum projection to 2028.
[2] The minimum and maximum costs are considered according to the value of the property with the highest value, taking as a baseline its value in 2022 with a maximum projection to 2028.
[3] Same consideration as the footer 1.
[4] Same consideration as the footer 2.

Financial Opportunities arising from Climate Change

DESCRIPTION OF THE OPPORTUNITY	TYPE OF THE OPPORTUNITY	POSITIVE FINANCIAL IMPLICATIONS OF OPPORTUNITY	ESTIMATED FINANCIAL IMPLICATIONS TO DEVELOP THIS OPPORTUNITY
Development and/or expansion of low-emission products and services.	Products/Services	Savings achieved with LEED buildings vs. traditional buildings.	- **1) Initiative:** LEED certification in industrial park buildings. **Estimated ENERGY SAVINGS COSTS:** USD 432,000 - **2) Initiative:** reen PCA audits in industrial park buildings. **Estimated Costs:** USD 237,779.41
Investment in rainwater harvesting projects	Resilience	Savings of USD 73.18 for every 10 m3 of rainwater captured can be saved[5]: **Minimum estimated savings:** USD 18,294.12 **Maximum estimated savings:** USD 29,270.59	- **Initiative:** tart-up of a rainwater harvesting plant in the Toluca industrial park with a storage capacity of 250 to 400 m3. - **Estimated Costs:** USD 264,705.88

[5] The average rate of value per water pipe in Mexico is considered. Data according to the Federal Consumer Protection Agency: https://www.profeco.gob.mx/precios/canasta/qqpc.php

Financial Opportunities arising from Climate Change

DESCRIPTION OF THE OPPORTUNITY	TYPE OF THE OPPORTUNITY	POSITIVE FINANCIAL IMPLICATIONS OF OPPORTUNITY	ESTIMATED FINANCIAL IMPLICATIONS TO DEVELOP THIS OPPORTUNITY
Investment in electricity generation facilities to cover the electricity demand of the facilities (common areas)	Energy Source	Estimated savings per kWh: (not yet estimated)	The average cost of KWh was calculated based on the number of panels, the installed power (KWp) and the estimated investment, therefore, the average cost is USD 2,168.05/KWp


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